

July 19, 2019

The South Carolina Department of Administration  
Wade Hampton Building, Suite 460  
1200 Senate Street  
Columbia, SC 29201

Attention: Marcia S. Adams, Executive Director

Dear Director Adams:

1. We are pleased to confirm that as of July 1, 2019, the South Carolina Department of Administration (the "Department" or "you") has engaged Moelis & Company LLC ("Moelis" or "we") to act as its financial advisor in connection with (a) the sale of all or a majority of the equity securities of the South Carolina Public Service Authority ("Santee Cooper"), to a third party (an "Acquirer"), (b) the merger or combination of Santee Cooper with an Acquirer or (c) an Acquirer's acquisition of all or a significant portion of the assets, properties or business of Santee Cooper, (each of (a) through (c) to be defined as a "Transaction"). Furthermore, the Department has also engaged Moelis to act as its financial advisor in connection with (d) the solicitation and evaluation of proposals to manage Santee Cooper as a continuing state-owned utility (an "Alternative Transaction"), and (e) the development of a process for the receipt of a plan to be proposed by Santee Cooper for the restructuring of the debt of Santee Cooper (the "Proposed Restructuring").

As part of our engagement, we will provide the following financial advisory services:

- (a) assist the Department in conducting a business and financial analysis of Santee Cooper;
- (b) assist the Department in identifying and evaluating candidates for a Transaction and/or Alternative Transaction;
- (c) assist the Department in preparing a marketing plan and information materials describing Santee Cooper (the "Information Memo"), which we may distribute to potential Acquirers;
- (d) contact potential Acquirers that we and the Department have agreed may be appropriate for a Transaction and/or Alternative Transaction, and meet with and provide them such information about Santee Cooper as may be appropriate and acceptable to the Department, subject to customary business confidentiality;
- (e) assist the Department in developing a strategy to effectuate the Transaction, the Alternative Transaction, and/or the Proposed Restructuring;
- (f) assist the Department, upon further request, in structuring and negotiating the Transaction, the Alternative Transaction, and/or the Proposed Restructuring and participate in such negotiations as requested;
- (g) assist the Department in conducting negotiations between Central Electric Cooperative, Inc. ("Central") and each entity submitting a bid in pursuit of a Transaction and/or Alternative Transaction;
- (h) assist the Department in the preparation of a recommendation for a Transaction, an Alternative Transaction, and the Proposed Restructuring (the "Report");

- (i) assist the Department in the review of proposed contracts to execute the recommended Transaction, Alternative Transaction, and/or Proposed Restructuring;
- (j) assist the Department in its making and presenting recommendations regarding a Transaction, Alternative Transaction and/or Proposed Restructuring to the S.C. General Assembly and appearing before the General Assembly or any legislative committee or subcommittee regarding a Transaction, Alternative Transaction and/or Proposed Restructuring as may be required by the Department;
- (k) assist the Department in performing any other related financial advisory services required or necessary under Joint Resolution (S.C. General Assembly H.4287, 123<sup>rd</sup> Session, 2019-2020), as well as tasks listed in Appendix B of the Department of Administration's "Requests for Proposals: Merger & Acquisition and Corporate Advisory Services".

Please note that Moelis does not provide legal, tax, accounting or actuarial advice.

2. As compensation for our services hereunder, the Department agrees to pay us the following nonrefundable cash fees:

Engagement Fee

- (a) An up-front engagement fee (the "Engagement Fee") equal to \$500,000, payable promptly upon execution of this agreement.

Monthly Retainer Fee

- (b) A monthly retainer fee of \$250,000 (the "Monthly Retainer Fee"), with the first payment to be made on August 1, 2019, and subsequent payments to be made on the first day of each subsequent month commencing on September 1, 2019, and ending upon completion of the Report by Moelis, subject to a minimum period of six months.

Ongoing Monthly Retainer Fee

- (c) If the Department desires for Moelis to continue to perform work on behalf of the Department following the completion of the Report by Moelis, the Department will pay Moelis a monthly retainer fee of \$250,000 (the "Ongoing Monthly Retainer Fee"), with the first payment to be made immediately upon resumption of work by Moelis on behalf of the Department following completion of the Report, and subsequent payments to be made on the first day of each month that Moelis continues to perform work on behalf of the Department. The Ongoing Monthly Retainer Fee may be suspended at any time if the South Carolina State Legislature formally stops the process to pursue a Transaction, Alternative Transaction, or Proposed Restructuring, so long as Moelis is not performing ongoing work hereunder. For clarity, the Ongoing Monthly Retainer Fee would start again if the South Carolina State Legislature reinitiates the process to pursue a Transaction, Alternative Transaction, or Proposed Restructuring and/or the Department requests Moelis to reinitiate ongoing work on its behalf.

Report Fee

- (d) A Report fee (the "Report Fee") of \$3,000,000 in total, due and payable to Moelis in installments upon achievement of the following engagement milestones: (i) \$1,000,000 due and payable upon delivery (defined broadly to include, but not limited to, the electronic submission –

either via email or data room, mail delivery, or in-person delivery) of marketing materials (defined as the Information Memo and/or a financial model) to potential bidders; (ii) \$1,000,000 due and payable upon receipt of bids; and (iii) \$1,000,000 due and payable upon the completion, subject to reflecting reasonable comments made by the Department, and delivery (defined broadly to include, but not limited to, the electronic submission – email or data room, mail delivery, or in-person delivery) of the Report by Moelis.

If Moelis is terminated at any point after receipt of bids (described in milestone (d)(ii) above), Moelis will have 30 business days, to complete the Report based on information available to us at that point in time, recognizing that the Report may be lacking in certain details depending upon the potential timing of the termination. Upon completion and delivery (defined broadly to include, but not limited to, the electronic submission – email or data room, mail delivery, or in-person delivery) of the Report, Moelis will be paid the remaining outstanding balance of the total \$3,000,000 Report Fee.

Whether or not any Report is ultimately completed or any Transaction, Alternative Transaction, or Proposed Restructuring is consummated, you will reimburse us for all of our reasonable expenses as they are incurred in entering into and performing services pursuant to this agreement. Reimbursable reasonable expenses means: for lodging, upon presentation of a paid receipt, reimbursement shall be allowed for actual expenses incurred for lodging, not to exceed the current maximum lodging rates, excluding taxes, established by the U.S. General Services Administration; for meals, reimbursement shall be allowed for the actual expenses incurred in the obtaining of meals except that such costs shall not exceed \$35 per day; for travel by commercial airlines, reimbursement shall be allowed only for coach or tourist class tickets, except where exigencies require otherwise. (Applicable travel rules and reimbursement requirements are set forth in the "State of South Carolina Statewide Disbursement Regulations", which is posted on the state Comptroller General's website, <https://cg.sc.gov>.)

3. To the extent of the information being available to it, the Department, will furnish us with such information concerning Santee Cooper and the Department the Acquirer, as we reasonably deem appropriate (collectively, the "Information") and will provide us with access to the Department's officers, directors, employees, accountants, counsel and other representatives and, as practicable, those of the Acquirer. To the best of the Department's knowledge, the Information will be true and correct in all material respects and will not contain any material misstatement of fact or omit to state any material fact necessary to make the statements contained therein not misleading. The Department will advise us promptly of any material event or change in the business, affairs, condition (financial or otherwise) or prospects of the Department that occurs during the term of this agreement. The Department will advise us promptly of any material event or change in the business, affairs, condition (financial or otherwise) or prospects of Santee Cooper that occurs during the term of this agreement, to the extent that the Department has knowledge or becomes aware of such. In performing our services hereunder, we will be entitled to use and rely upon the Information as well as publicly available information without independent verification. We will be entitled to assume that financial forecasts and projections the Department, Santee Cooper or any Acquirer makes available to us have been reasonably prepared on bases reflecting the best currently available estimates and judgments of the Department, the management of Santee Cooper or such Acquirer, as the case may be, as to the matters covered thereby. Following review and approval by Department, Moelis will be authorized to transmit any Information Memo to potential parties to a Transaction, Alternative Transaction and/or Proposed Restructuring. In preparing the contents of the Information Memo, Moelis will be entitled to rely upon the accuracy and completeness of the information that is provided by Santee Cooper.

We will not disclose to any third party nonpublic Information concerning the Department or Santee Cooper provided to us in connection with this agreement as long as it remains nonpublic, except (i) as

otherwise required by subpoena or court order and for private disclosure to our financial regulatory authorities and (ii) we may provide nonpublic Information to prospective Acquirers as contemplated by this agreement. This paragraph shall survive for three years following the expiration or termination of this agreement.

4. Due to the mandatory confidentiality requirements of Section 8 of the Joint Resolution, both Moelis and the Department agree that, prior to the formal presentation of the Department's recommendations to the General Assembly, neither party will disclose, summarize, or refer to any of our advice or the Report publicly or to any third party without prior written consent of the other. In the event disclosure is required by law, subpoena or court order, the Department will provide us reasonable advance notice and obtain confidential treatment for any such disclosure. If the Department of Administration provides its written approval in advance, we may, at our expense and after announcement of any of the transactions contemplated hereunder, place announcements and advertisements on our website and in such financial and other newspapers and journals as we may choose, stating that we have acted as financial advisor to the Department in connection with any such transaction.

5. We are an independent contractor (and we are expressly not acting as a fiduciary) with the contractual duties described herein owing only to the Department. The Department hereby agrees to the acknowledgements and disclosures set forth in *Annex A*.

6. Either of us may terminate this agreement at any time, with or without cause, on written notice. In the event of any termination, we will continue to be entitled to the fees and expenses that became payable hereunder prior to termination. Sections 3 through 8 shall remain in full force and effect after the completion or termination of this agreement.

7. Moelis is an independent investment bank which is engaged in a range of investment banking activities. Certain affiliates of Moelis are engaged in asset management and other activities for their own account and otherwise. Moelis and its affiliates may have interests that differ from the Department's interests. Moelis and its affiliates have no duty to disclose to the Department, or use for the Department's benefit, any information acquired in the course of providing services to any other party, engaging in any transaction or carrying on any other businesses. Moelis' employees, officers, partners and affiliates may at any time own securities of an entity involved in any transaction contemplated by this agreement. Moelis recognizes its obligations under applicable securities laws in connection with the purchase and sale of such securities. Notwithstanding the foregoing, Moelis does not have an on-going financial relationship with Santee Cooper that would create a conflict of interest in Moelis' performance of the contractual duties described herein. During the term of the engagement hereunder, Moelis will disclose any material relationship with Santee Cooper or any potential bidder for Santee Cooper that, based on Moelis' customary policies and procedures, Moelis believes would create a conflict of interest that would preclude Moelis from providing the services set forth in this agreement.

8. This agreement and any disputes or claims that may arise out of this agreement shall be governed by and construed in accordance with the internal laws of the State of South Carolina except its choice of law rules, and this agreement embodies the entire agreement and supersedes any prior written or oral agreement relating to the subject matter hereof, and may only be amended or waived in writing signed by both the Department and us. If any part of this agreement is judicially determined to be unenforceable, it shall be interpreted to the fullest extent enforceable so as to give the closest meaning to its intent and the remainder of this agreement shall continue in full force and effect. Any judicial proceeding arising out of this agreement shall be heard exclusively in a South Carolina state court to whose jurisdiction and forum Moelis and the Department irrevocably submit. The Department also irrevocably consents to the service of process in any such proceeding by certified mail to the Department's address set forth above; Moelis also irrevocably consents to the service of process in any


such proceeding by certified mail to its address at 399 Park Ave, 5<sup>th</sup> Floor, New York, NY, 10022. This agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which shall constitute one and the same agreement. This agreement shall be binding upon the Department and us and its and our respective successors and assigns. WE AND THE DEPARTMENT (ON ITS OWN BEHALF AND, TO THE EXTENT PERMITTED BY APPLICABLE LAW, ON BEHALF OF ITS SECURITY HOLDERS) WAIVE ANY RIGHT TO TRIAL BY JURY WITH RESPECT TO ANY PROCEEDING ARISING OUT OF THIS AGREEMENT.

*(Signature page follows)*

We are pleased to accept this engagement and look forward to working with the Department. Please sign and return the enclosed duplicate of this agreement. The individuals signing this agreement each represent that he or she is authorized to execute and deliver it on behalf of the entity whose name appears above his or her signature.

Very truly yours,

MOELIS & COMPANY LLC

By:   
Name: John A. Colella  
Title: Managing Director

Accepted and agreed to as of the date first written above:

THE SOUTH CAROLINA DEPARTMENT OF ADMINISTRATION

By:   
Name: Marcia S. Adams  
Title: Executive Director

## **ANNEX A**

**USA Patriot Act.** Moelis is required to obtain, verify, and record information that identifies the Department in a manner that satisfies the requirements of and in accordance with the USA Patriot Act.

**Business Continuity.** Moelis maintains a business continuity plan that is reviewed annually and is updated as necessary. Our disclosure statement is available on our website at [www.moelis.com](http://www.moelis.com) and a copy can be requested by contacting us at [compliance@moelis.com](mailto:compliance@moelis.com).